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Dear Councillor

EXECUTIVE - MONDAY, 8 FEBRUARY, 2021

Please find attached updated the appendices related to the Capital Programme 2021/2022 for the Monday, 8th February, 2021 meeting of the Executive, forwarded to Members under separate cover.

The item will also be considered by the Council at its meeting on 8 March 2021.

Agenda No	Item
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BLACKPOOL COUNCIL
REPORT
of the
DIRECTOR OF RESOURCES
to the
EXECUTIVE
on
8 February 2021

CAPITAL PROGRAMME 2021/22, 2022/23 AND 2023/24

1. Introduction

- 1.1 The Council's 2021/22 Capital Programme runs concurrently with the 2021/22 revenue budget and reports on both are submitted to this meeting for approval. Capital schemes usually extend over a number of years and for that reason the programme projects forward indicative spending for 3 years. This report updates the programme reported in last year's budget and seeks to ensure that capital expenditure is allocated to areas that will contribute to meeting the Council's priorities, the report also takes into account the effect of the impact of Covid 19 on progress of the programme. The capital programme submitted for approval for 2021/22 is £24.3m and over a three-year period is estimated at £135.8m (See Appendix A and B).
- 1.2 The 2022/23 and 2023/24 programmes have been drawn up based upon known allocations and provisional bids. Government announcements in respect of some allocations have once again been delayed this year and in order to be prudent Blackpool Council has chosen not to include estimates of these figures. An update will be provided to Executive once these allocations have been announced. These will be reviewed as part of the budget processes for 2022/23 and 2023/24 in the light of changing priorities and final funding levels, which means that no commitment can be made as yet in respect of those new schemes identified for 2022/23 and 2023/24.
- 1.3 The Council has suffered from severe cuts in capital funding. It has continued to be proactive in seeking additional funding for schemes, and is seeking to take advantage of low-level interest rates to facilitate investment and regeneration of the town.
- 1.4 The effects of Covid-19 has impacted upon the capital programme in a significant manner. This has resulted in delays to the completion of projects such as, The Conference Centre, Tramway and Central Business District Phase2.

- 1.5 The Capital Programme contains £32m Blackpool Town Deal which is expected to commence in the year 2022/23, of which there is a total provisional allocation of £39.5m. The objective of the Towns Fund is to “drive the economic regeneration of towns to deliver long-term economic and productivity growth”. This funding will enable the town deal board to develop, and agree an evidence based town investment plan, evolve a clear programme of intervention, and coordinate resource.
- 1.6 The status of the Capital Programme is reported monthly to the Corporate Leadership Team (CLT) and the Executive.
- 1.7 The Capital Programme now submitted is consistent with that agreed for 2020/21. It includes identified commitments for housing developments. The scale of these commitments means that there are very limited resources to deliver additional schemes that are not fully funded.
- 1.8 The Capital Programme prepared for 2021/22 does not include budgeted expenditure that has previously been approved by Executive. Blackpool Council has approximately £41.6m available for capital projects, e.g. The Museum, Town Centre Acquisition and Central business District phase 2, that has been approved in previous years but not yet expended. The total capital budget therefore for 2021/22 is in reality approximately £65.9m.
- 1.9 The programme does not yet take account of all funding announcements anticipated in respect of Capital schemes. Additional funding streams are expected to be confirmed after the approval of this Capital Programme and reference will be made in the subsequent financial monitoring report to Executive.
- 1.10 The Capital Programme proposed demonstrates the increased investment that Blackpool Council is making in the town to ensure that Blackpool develops a year round economy that both attracts visitors and encourages growth in the town.

2. Capital Funding

- 2.1 The Council’s capital spending is funded from specific capital grants, capital receipts and revenue contributions. In addition to these traditional forms of funding, the Council can undertake Prudential borrowing within limits set by the Council itself.

3. Prudential Borrowing

- 3.1 A relaxation of controls upon local authority borrowing was introduced from 2004/05 and requires prudent management because the debt financing costs of such borrowings are not supported by Government grant and fall directly upon Council Tax unless the schemes themselves generate sufficient savings or income to meet the financing costs. The approach agreed by this Council is that Prudential schemes can only take place in the following circumstances:

- (1) Prudential Borrowing schemes must be specifically authorised by the Executive.
- (2) The financing costs of such schemes will be charged to identified service budgets by means of a budget virement to the central Treasury Management budget.

- (3) The total level of Prudential borrowing must remain within the limits set in the Council's annual Treasury Management Strategy (see separate report to this Executive meeting).
- 3.2 Therefore, in most cases Prudential Borrowing will only be approved where the scheme is likely to be self-financing over a reasonable payback period (such as energy management initiatives) or where there is an identified budget which can meet the costs.
- 3.3 Suppressed interest rates have encouraged the use of Prudential borrowing and provided an opportunity for Blackpool Council to invest in schemes that may not have been viable in the past. The investment made in capital schemes is monitored via the monthly report provided to CLT and Executive. The movement in interest rates is also monitored via the Treasury Management Panel.
- 3.4 The Council adheres to CIPFA's *Prudential Code for Capital Finance in Local Authorities* which requires authorities to set a range of 'Prudential Indicators' as part of the Budget-setting process. Those relating specifically to the capital programme are as follows with more detailed information in Appendix C:-
- (1) The actual capital position – (Non-HRA and HRA) for 2021/22 will be reported as part of the 2021/22 Capital Outturn report to Executive.
- (2) Prudence – capital expenditure including commitments for non-HRA and HRA for 2021/22 will be reported monthly to the Executive by means of the Capital Monitoring report.

4. Single Capital Pot

- 4.1 The Council has capital funding made available to it by the Government in the form of capital grants. These fall into two categories of ring-fenced and non-ring-fenced. The ring-fenced capital grants can only be used for specifically named schemes. An example of this type of funding is the Devolved Formula Capital grant that is specifically allocated to individual schools. In addition, the Government makes available non-ring-fenced capital grants. These allocations come from individual Government departments but fall into the category known as Single Capital Pot. This means they can be used for any proper capital expenditure on any service. Good practice shows that the Council would allocate this funding to a capital programme to meet its priorities and objectives without regard to the source Government department providing the funding. However, the problem with this approach is that there is a possibility of these allocations being reduced in future years. It has therefore previously been agreed that the central government allocations to individual services should remain broadly as originally notified.
- 4.2 There is clearly a balance to be had in looking at the overall investment needs of the Council and individual service priorities. It is proposed that the Council uses some non-ring-fenced capital grants in future for its corporate priorities, thereby allowing key schemes to proceed. The intention would be to retain the top-slice at 12.5% (12.5%

first applied in 2005/06) of basic service capital grant in 2021/22 for corporate priorities including additional expenditure anticipated on existing schemes. The impact of this 12.5% proposal is set out below (excluding Disabled Facilities Grant - see 4.4):

Department	2021/22 Non-ringfenced Allocations £000	12.50% Top-slice £000	Net Total £000
Communications and Regeneration	2,887	361	2,526
Adult Services (see 4.4 below)	2,304	69	2,235
Childrens Service	358	45	313
TOTAL	5,549	475	5,074

The proposed allocations of the top-slicing can be found in section 8.

- 4.3 As can be seen from the table below the non-ring-fenced capital grant allocation shows an increase from 2020/21 to 2021/22:

Department	2020/21 £000	2021/22 £000	Increase £000
Communications and Regeneration	2,887	2,887	0
Adult Services	2,304	2,304	0
Childrens Service	0	358	358
TOTAL	5,191	5,549	358

- 4.4 Disabled Facilities Grant of £1,750k has been identified for 2021/22. This is an integral part of the Better Care initiative (formerly Integrated Transformation Fund) to support the integration of health and social care and as such will be protected for this purpose.

5. **Priority Led Budgeting**

- 5.1 During 2013/14 the Corporate Asset Management Group formally agreed that a Priority Led approach would continue to be adopted in approving capital schemes from the available corporate resource.

- 5.2 The agreed approach allocates capital resources in line with the legislative framework, i.e. priority schemes are deemed to be those which include statutory obligations or health and safety issues.

5.3 A range of categories was agreed that could be assigned to each scheme:

Category 1 – have to do – statutory obligations, health and safety, committed schemes, overspends

Category 2 – need to do – schemes that generate future revenue savings or support transformational process

Category 3 – able to do - fully prudentially funded schemes / School schemes where resources available

Category 4 – want to do – aspirational schemes that the Council would like to progress should resources be available and which align with Corporate Priorities

Category 5 – do not want to do – schemes that do not align with Corporate Priorities.

5.4 The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code requires local authorities to produce a capital strategy to demonstrate that capital expenditure and investment decisions are taken in line with service objectives and take account of stewardship, value for money, prudence, sustainability and affordability. The Capital Strategy incorporates the Capital Programme.

6. Capital Programme

6.1 The proposed Capital Programme takes account of all available resources including capital receipts and the top-sliced resource to fund corporate priorities and other costs. These are identified at Appendix A.

6.2 The proposed schemes that will proceed or are in progress are set out in detail at Appendix B. The expenditure by directorate is:-

Directorate	2021/22 £000	2022/23 £000	2023/24 £000
Communications and Regeneration	2,525	18,647	19,886
Housing Revenue Account	16,709	26,012	16,518
Community and Environment	569	2,887	22,194
Adult Services	2,235	2,304	2,304
Children's Services	313	358	358
Resources	1,340	-	-
Governance and Partnerships	146	-	-
Net top-slice	475	TBD	TBD
TOTAL	24,312	50,208	61,260

6.3 The proposed Capital Programme supports key priorities, in particular regeneration of the town. The key schemes to be undertaken in the next twelve months are:-

- (1) Enterprise Zone
- (2) Central Business District Phase 2
- (3) The Museum Project
- (4) Tram refurbishment

The Foxhall Village housing scheme is currently reporting an overspend of £1.8m, partly due to Hollinwood Homes entering administration. The Council is working with the appointed administrators, PwC, to develop options for the Foxhall Village scheme. A more detailed report will be submitted to Executive in due course.

6.4 The Council has also identified a number of schemes that are priorities for the year but do not yet have full funding in place. It is hoped these will also progress in 2022/23 and more detailed decision reports will be submitted to Executive in due course, detailing the scheme and funding requirements:-

- (1) Blackpool Central
- (2) Central Business District Phase 3
- (3) CCTV relocation
- (4) Grange Park development

Should these schemes be approved by the Executive, they will form part of the monitoring reported on a monthly basis.

6.5 The Council is committed to being a net carbon zero organisation by 2030 and is working towards a meaningful way of reporting the carbon consequences of its actions and proposals, e.g. The Grange Park Housing scheme is predicted to save 406 tonnes of CO₂, but as yet such a reporting mechanism is not complete.

7. Management of the Risks Associated with the Capital Programme

7.1 The key risks in terms of the management of the proposed capital programme are:-

- (1) Covid-19.
- (2) Brexit.
- (3) Expected revenue streams derived from capital schemes are not delivered.

- (4) Private sector developers unable to raise finance, renegotiating or pulling out of deals as a result of the economic downturn
- (5) Contractors likewise getting into financial difficulty
- (6) Anticipated funding, e.g. grant, capital receipts and s.106 monies, not being realised and / or the clawback of external funding resulting in funding shortfalls
- (7) Delivery of the scheme over-budget and / or late
- (8) Increased reliance on Prudential borrowing and an increase in the pooled interest rate.

7.2 Regular monthly capital monitoring reports are provided and Finance staff aim to meet with project managers of the larger and more complex schemes on a monthly basis. A risk register and details of projected overspends on schemes are also provided on a regular basis.

7.3 Schemes that have specific funding attached should only proceed where the external funding has been formally agreed. There is no commitment upon the Council to fund a shortfall in such circumstances.

7.4 In addition, 2020/21 saw the emergence and resolution of a number of additional areas of risk within the capital programme. These are reported to the Corporate Leadership Team and Corporate Asset Management Group and work is ongoing to address these issues and mitigate where possible. A risk-based reserve strategy continues to be operated through the Medium Term Financial Sustainability Strategy and paragraph 9.2 recommends the creation of a top-slice contingency in the result of any overspends arising.

8. Capital Expenditure Commitments

8.1 Regular capital monitoring identifies schemes for which there is a contractual and legal obligation to fund and these become a call on available resources. There are 3 areas that fall into this category:-

	£000
Previously approved legacy costs	100
Carleton Crematorium - Cremators	214
Carleton Crematorium – Burial Plots	125
Unallocated	36
TOTAL	475

8.2 Corporate Asset Management Group has previously recommended the following:

- (1) On 8 January 2013 that previously approved legacy costs phased over an initial 15-year period (from 2013/14) become the first call on any top-slice.
- (2) On 16 January 2018 that the old Carleton Crematorium Cremators would be funded over a 14 year period (from 19/20).
- (3) On 12 January 2021 that the phase 1 and 2 burial plot extension would be funded over a 7 year period (from 2021/22), this will create an additional 811 burial plots.

8.3 A number of long-term strategic schemes such as the Blackpool Central development are referred to elsewhere in this report. On occasion the opportunity to purchase small parcels of land or property associated with these may arise and where these purchases are essential to the project and can be completed within officer delegations this will be done within the existing contingency and any unallocated resource contained within this report.

9. Recommendations

To recommend to Council:

1. To approve the Capital Programme for 2021/22 as set out at Appendices A and B.
2. To agree The Single Capital Pot approach as outlined in Section 4 with a top slice of 12.5% to allow for investment in key priority areas and overspends that are not otherwise fundable (reference paragraph 4.2).
3. To approve the Capital Prudential Indicators as identified in Appendix C.
4. To agree that Executive approvals will continue to be required for all Prudential Borrowing schemes (reference paragraph 3.1).

MR S THOMPSON
DIRECTOR OF RESOURCES

BLACKPOOL COUNCIL

APPENDIX A

CAPITAL PROGRAMME 2021/22 TO 2023/24

	FOR APPROVAL	FOR INFORMATION	FOR INFORMATION
SERVICE	2021/22 PROPOSED PROGRAMME £000	2022/23 POTENTIAL PROGRAMME £000	2023/24 POTENTIAL PROGRAMME £000
COMMUNICATION & REGENERATION	2,525	18,647	19,886
HOUSING REVENUE ACCOUNT	16,709	26,012	16,518
COMMUNITY & ENVIRONMENT	569	2,887	22,194
ADULT SERVICES	2,235	2,304	2,304
CHILDREN'S SERVICES	313	358	358
RESOURCES	1,340	-	-
GOVERNANCE AND PARTNERSHIPS	146	-	-
TOP-SLICE TO BE ALLOCATED	475	TBD	TBD
TOTAL PROGRAMME	24,312	50,208	61,260

	FOR APPROVAL	FOR INFORMATION	FOR INFORMATION
FUNDING SOURCES	2021/22 PROPOSED PROGRAMME £000	2022/23 POTENTIAL PROGRAMME £000	2023/24 POTENTIAL PROGRAMME £000
GRANTS / CONTRIBUTIONS	10,648	10,120	9,673
PRUDENTIAL BORROWING	6,250	16,523	6,715
SPECIFIC CAPITAL GRANTS	6,117	23,435	44,742
CAPITAL RECEIPTS	1,297	130	130
REVENUE CONTRIBUTIONS	-	-	-
TOTAL FUNDING	24,312	50,208	61,260

Please note that capital funding and spend approved in previous years that has slipped into this period is not reflected in this schedule.

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CAPITAL PROGRAMME 2021/22 TO 2023/24

	FOR APPROVAL	FOR INFORMATION	FOR INFORMATION
	2021/22 PROPOSED PROGRAMME £000	2022/23 POTENTIAL PROGRAMME £000	2023/24 POTENTIAL PROGRAMME £000
Communication and Regeneration			
Local Transport Programme - Capital Maintenance	1,167	1,167	1,167
Local Transport Programme - Integrated Transport : Road Safety	114	114	114
Local Transport Programme - Integrated Transport : Congestion	634	788	788
Local Transport Programme - Integrated Transport : Visitor Economy	503	710	710
Local Transport Programme - Integrated Transport : Parking Management	18	18	18
Local Transport Programme - Integrated Transport : Accessibility	46	46	46
Local Transport Programme - Monitoring	17	17	17
Programme and Scheme Development	9	9	9
Electric Vehicle charging points	17	17	17
Tram Refurbishment	-	761	-
Town Deal - Multiversity	-	4,500	4,500
Town Deal - Revoe/South Quarter	-	2,000	3,500
Town Deal - Courts	-	4,000	4,000
Town Deal - Illuminations	-	2,000	2,500
Town Deal - Youth Hub	-	500	-
Town Deal -The Edge	-	2,000	2,500
TOTAL	2,525	18,647	19,886

Please note that capital funding and spend approved in previous years that has slipped into this period is not reflected in this schedule .

CAPITAL PROGRAMME 2021/22 TO 2023/24

FOR APPROVAL FOR INFORMATION FOR INFORMATION

	2021/22 PROPOSED PROGRAMME £000	2022/23 POTENTIAL PROGRAMME £000	2023/24 POTENTIAL PROGRAMME £000
Maintain Decent Homes Standard	2,770	3,406	3,483
Troutbeck	6,279	-	-
Dunsop Court	403	403	403
Grange Park	1,130	5,750	4,540
New Build Developments	140	11,140	2,890
250 Acquisitions and Refurbishments as per Council Homes Investment Plan	2,440	3,240	3,240
Powell Road	562	-	-
Garstang Road West	1,426	-	-
Other Schemes	1,559	2,073	1,962
TOTAL	16,709	26,012	16,518

Housing Revenue Account

Maintain Decent Homes Standard
 Troutbeck
 Dunsop Court
 Grange Park
 New Build Developments
 250 Acquisitions and Refurbishments as per Council Homes Investment Plan
 Powell Road
 Garstang Road West
 Other Schemes

TOTAL

Please note that capital funding and spend approved in previous years that has slipped into this period is not reflected in this schedule.

CAPITAL PROGRAMME 2021/22 TO 2023/24

Community & Environment

Coastal Protection

TOTAL

	FOR APPROVAL	FOR INFORMATION	FOR INFORMATION
	2021/22 PROPOSED PROGRAMME £000	2022/23 POTENTIAL PROGRAMME £000	2023/24 POTENTIAL PROGRAMME £000
	569	2,887	22,194
TOTAL	569	2,887	22,194

CAPITAL PROGRAMME 2021/22 TO 2023/24

	FOR APPROVAL	FOR INFORMATION	FOR INFORMATION
	2021/22 PROPOSED PROGRAMME £000	2022/23 POTENTIAL PROGRAMME £000	2023/24 POTENTIAL PROGRAMME £000
Adult Services			
Disabled Facilities Grant	1,750	1,750	1,750
Adult Social Care	485	554	554
TOTAL	2,235	2,304	2,304

CAPITAL PROGRAMME 2021/22 TO 2023/24

	FOR APPROVAL	FOR INFORMATION	FOR INFORMATION
	2021/22 PROPOSED PROGRAMME £000	2022/23 POTENTIAL PROGRAMME £000	2023/24 POTENTIAL PROGRAMME £000
Childrens Services			
Condition Funding	313	358	358
TOTAL	313	358	358

CAPITAL PROGRAMME 2021/22 TO 2023/24

FOR APPROVAL

FOR INFORMATION

FOR INFORMATION

Resources

Finance, HR/Payroll - Project Team
Roofing works

TOTAL

2021/22 PROPOSED PROGRAMME £000	2022/23 POTENTIAL PROGRAMME £000	2023/24 POTENTIAL PROGRAMME £000
1,200	-	-
140	-	-
1,340	-	-

CAPITAL PROGRAMME 2021/22 TO 2023/24

Governance and Partnerships

Carleton Crematorium Projects

TOTAL

FOR APPROVAL	FOR INFORMATION	FOR INFORMATION
2021/22 PROPOSED PROGRAMME £000	2022/23 POTENTIAL PROGRAMME £000	2023/24 POTENTIAL PROGRAMME £000
146	-	-
146	-	-

THE PRUDENTIAL CODE FOR CAPITAL FINANCE: PRUDENTIAL INDICATORS

1. Prudential Indicators: the actual position

Actual Capital Expenditure for 2021/22

Non-HRA and HRA

After the year-end the actual capital expenditure incurred during the financial year will be recorded. This prudential indicator will be referred to as actual capital expenditure and shall be expressed as 'actual capital expenditure for 0X/0Y'. The Code also requires separate identification of the actual HRA and non-HRA elements of this Prudential Indicator. (*Prudential Code, paragraph 51 & 52*).

Actual capital expenditure for 21/22	non-HRA	HRA
	£m	£m

2. Prudential Indicators for Prudence

Prudential Indicators for Prudence: Capital Expenditure (including capital commitments).

Non-HRA and HRA

Local authorities are required to make reasonable estimates of the total of capital expenditure that they plan to incur during the forthcoming financial year and at least the following two financial years. These prudential indicators shall be referred to as the 'estimate of total capital expenditure to be incurred in years 1, 2 and 3'. A local authority that has a Housing Revenue Account (HRA) will identify separately estimates of HRA capital expenditure and estimates of non-HRA capital expenditure. (*Prudential Code, paragraphs 48 & 49*).

The Corporate Asset Management Group in conjunction with the Capital Finance Team have completed the capital programme likely to be required over the next three years, together with the financial resources likely to be available for those schemes. This has taken into account new borrowing for which the Government is providing resources to meet interest and debt repayment costs via Formula Grant, Government grants, capital receipts and other funding (including s106 receipts). The current estimates of capital expenditure that should be funded are:

	Total schemes	Non-HRA schemes	HRA schemes
2021/22	£24.3M	£7.6M	£16.7M
2022/23	£50.2M	£24.2M	£26.0M
2023/24	£61.3M	£44.8M	£16.5M

The above figures have to be approved in the February 2021 Capital Programme report. The Council may as part of its budget considerations in future years decide to approve a lower level of capital expenditure - thus reducing the level of financing in the revenue budget - or a higher level of capital expenditure if there is scope.

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